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Message Text

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ACTION NEA-11

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INFO AMEMBASSY ATHENS
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E.O. 11652: N/A
TAGS: ETRD, IZ, US, WG
SUBJECT: IRAQI TRADE PATTERNS

REF: (A) 77 BAGHDAD 2166 (NOTAL), (B) BAGHDAD 960 (NOTAL)

1. SUMMARY. MINISTRY OF TRADE OFFICIAL SAYS THAT GOI IS UNDERTAKING A MAJOR REVIEW OF ECONOMIC-COMMERCIAL TIES TO THE U.S. IN ADDITION, AS PART OF A GENERAL POLICY TO RE-ORIENT IMPORTS TO FAVOR MAJOR PURCHASERS OF CRUDE AND THE SMALLER INDUSTRIALIZED NATIONS, OFFICIAL CONFIRMED THAT THE GOI HAS BANNED THE AWARDING OF MAJOR CONTRACTS TO WEST GERMAN FIRMS BECAUSE THE FRG'S EXPORTS TO IRAQ ARE MORE THAN FIVE TIMES ITS IMPORTS. FRG EMBOFF BELIEVES BAN WILL DETHRONE WEST GERMANY AS IRAQ'S PRINCIPAL SUPPLIER. JAPANESE AND ITALIAN FIRMS SO FAR APPEAR TO BE PRINCIPAL BENEFICIARIES. END SUMMARY.

2. USINT OFFICER CALLED MAY 17 ON MR. BURHAN MOHAMMED
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NOURI, ACTING DIRECTOR-GENERAL FOR FORIEGN TRADE RELATIONS, MINISTRY OF TRADE, TO DISCUSS PROSPECTS FOR U.S.-IRAQI TRADE AND IRAQI TRADE PATTERSN IN GENERAL. NOURI BEGAN THE INTERVIEW BY SAYING GOI IS UNDERTAKING A MAJOR REVIEW OF U.S.-IRAQI ECONOMIC TRADE RELATIONS AND, AS HE HAD BEEN ASSIGNED MAJOR DRAFTING RESPONSI-BILITIES, HE FOUND THE TRADE STATISTICS WHICH USINT HAD

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PROVIDED HIM TO BE OF GREAT ASSISTANCE. HE SAID THE STUDY HIGHLIGHTED BOYCOTT ISSUES AS THE PRINCIPAL OBSTACLE TO U.S.-IRAQI TRADE. ON THE OTHER HAND, IT NOTED TWO THINGS HE THOUGHT WERE IN OUR FAVOR -- THE FACT THAT U.S. GOODS HAD VERY COMPETITIVE PRICES BECAUSE OF THE DECLINE OF THE DOLLAR, AND THE FACT THAT THE U.S. HAD IN THE PAST 18 MONTHS BECOME A SIGNIFICANT PURCHASER OF IRAQI CRUDE. HE SAID REVIEW ALSO ADDRESSED QUESTION OF WHETHER U.S. FIRMS WOULD BE ALLOWED TO PARTICIPATE IN THE BAGHDAD INTERNATIONAL FAIR.

3. IN REGARD TO IMPORTS GENERALLY, NOURI SAID THAT IRAQ HAS ALSO BEEN REVIEWING TRADE PATTERSN IN LINE WITH TWO CONSIDERATIONS: WHETHER MAJOR SUPPLIERS ALSO PURCHASED CRUDE, AND THE GOI'S DESIRE TO DIVERSIFY SUPPLIERS SO AS TO INCLUDE MORE FROM SMALLER INDUSTRIALIZED COUNTRIES. IN LINE WITH THESE AIMS, THE OIL AFFAIRS FOLLOW-UP COMMITTEE SEVERAL MONTHS AGO HAD BANNED THE AWARD OF CONTRACTS TO COMPANIES FROM WEST GERMANY, WHICH FOR THE PAST THREE YEARS HAS BEEN IRAQ'S LEADING SUPPLIER BUT NOT A MAJOR PURCHASER OF CRUDE (SEE 77 BAGHDAD 2166). IN ADDITION, THE GOI IN THE PAST TWO OR THREE MONTHS HAS RECEIVED TRADE DELEGATIONS FROM SEVERAL SMALL EUROPEAN COUNTRIES -- BELGIUM, IRELAND, SWEDEN, SPAIN, AUSTRIA AND FINLAND.
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4. RELATING THESE DELEGATIONS TO U.S. EXPORTS, NOURI COMMENTED THAT THE LIST OF COMPANIES REPRESENTED ALMOST ALWAYS INCLUDED A SIGNIFICANT NUMBER OF AMERICAN-OWNED FOREIGN SUBSIDIARIES, AND HE VENTURED THAT EVEN THOUGH THE U.S. HAD ONLY 210 MILLION DOLLARS DIRECT EXPORTS TO IRAQ IN 1977, TOTAL U.S. EXPORTS INCLUDING GOODS RE-EXPORTED THROUGH THIRD COUNTRIES MAY HAVE REACHED HALF A BILLION DOLLARS OR MORE.

5. USINT OFFICER ASKED IF NOURI COULD CONFIRM REPORTS THAT THE GOI INTENDED TO CHANGE ITS LETTERS OF CREDIT TO REQUIRE IRAQI COMMERCIAL ATTACHES IN RE-EXPORTING COUNTRIES TO ATTEST CERTIFICATES OF ORIGIN (SEE BAGHDAD 960). IF SO, THIS PRACTICE WOULD LIKELY DIMINISH U.S.-IRAQI TRADE THROUGH THIRD COUNTRIES. NOURI REPLIED THAT BOYCOTT MATTERS WERE NOT HIS SPECIALTY BUT HE KNEW THAT THE MINISTRY'S BOYCOTT OFFICE WAS CONSIDERING SETTLING UP A SPECIAL BRANCH IN LONDON TO DEAL WITH THE PROBLEMS OF U.S. GOODS RE-EXPORTED TO IRAQ THROUGH EUROPEAN COUNTRIES.

6. IN A SEPARATE CONVERSATION, WEST GERMAN EMBASSY

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OFFICER REPORTS THAT CONTRACT EMBARGO, INITIATED ABOUT SIX MONTHS AGO, WILL LIKELY DETHRONE THE FRG AS IRAQ'S PRINCIPAL SUPPLIER. SOURCE SAID THAT 1977 GERMAN EXPORTS TOTALLED 780 MILLION DOLLARS AND IMPORTS 123 MILLION, AND FRG HAS AS YET NOT BEEN ABLE TO DEVISE ANY MEANS TO SATISFY THE IRAQI DESIRE THAT VASTLY LARGER AMOUNTS OF CRUDE BE PURCHASED.

7. GOI ALSO THREATENED SWEDEN LAST FALL WITH "LEAST FAVORED NATION" TRADING STATUS UNLESS THE SWEDES IMPORTED CRUDE. THE JAPANESE APPARENTLY WERE WARNED AS WELL, BUT 1977 STATISTICS SHOW JAPANESE OIL IMPORTS FROM IRAQ (703 MILLION DOLLARS) NEARLY MATCHED EXPORTS (734 MILLION DOLLARS). BASED ON THE RECENT CONTRACT
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AWARDS, THEY AND THE ITALIANS (1977 EXPORTS TO IRAQ 228 MILLION DOLLARS AND IMPORTS OF 1360 MILLION) APPEAR SO FAR TO BE THE PRINCIPAL BENEFICIARIES OF THE WEST GERMAN BAN.
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